

CITY OF LANSING

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2012

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CITY OF LANSING
OFFICIALS

<u>Name</u>	<u>Title</u> (Before January, 2012)	<u>Term Expires</u>
Donald Peters	Mayor	Jan. 2012
Joseph Strobel	Mayor Pro tem	Jan. 2012
Jeffrey Bechtel	Council Member	Jan. 2012
William Burke	Council Member	Jan. 2012
Rebecca Conway	Council Member	Jan. 2012
Deborah Volker	Council Member	Jan. 2012
Carolyn Thorsten	City Clerk	Indefinite
Rebecca Seitz	Treasurer	Indefinite
Richard Zahasky	Attorney	Indefinite
(After December, 2011)		
Donald Peters	Mayor	Jul. 2012
Joseph Strobel	Mayor Pro tem	Jan. 2014
Jeffrey Bechtel	Council Member	Jan. 2014
William Burke	Council Member	Jan. 2014
Rebecca Conway	Council Member	Jan. 2014
Deborah Volker	Council Member	Jan. 2014
Carolyn Thorsten	City Clerk	Indefinite
Rebecca Seitz	Treasurer	Indefinite
Richard Zahasky	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lansing's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and the distribution by fund of the cash balances at July 1, 2011 as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing as of June 30, 2012, and the respective

changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012 on our consideration of the City of Lansing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the cash balances at July 1, 2011, as it relates to Schedule 1, as discussed in the third paragraph, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 30 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Elkader, Iowa

November 29, 2012


Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392

CITY OF LANSING

201 John Street, P. O. Box 470
LANSING IA 52151-0470

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lansing provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2012 FINANCIAL HIGHLIGHTS

1. The cash basis net assets of the City's governmental activities increased \$ 210,775, due primarily to the \$ 1,100,000 July 20, 2012 bond proceeds not being entirely disbursed before year end.
2. The cash basis net assets of the City's business type activities increased \$ 59,202.

USING THIS REPORT

This report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's long-term debt.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

1. Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
2. Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds included (1) the General Fund, (2) the Special Revenue Funds, such as Local Option Sales Tax (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial

statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased 86.9% from a year ago, increasing from \$ 242,587 to \$ 453,362. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Years Ended June 30, 2012</u>
Receipts	
Program receipts	
Charges for service	\$ 213,573
Operating grants and contributions	114,453
General receipts	
Property tax	482,784
Local option taxes	76,694
Grants and contributions not restricted to specific purposes	7,717
Unrestricted interest on investments	8,966
Bond proceeds	1,100,000
Other general receipts	<u>43,426</u>
Total receipts	<u>2,047,613</u>

Disbursements	
Public safety	217,708
Public works	340,086
Culture and recreation	284,913
Community and economic development	20,062
General government	112,014
Debt service	235,856
Capital projects	<u>217,611</u>
Total disbursements	<u>1,428,250</u>
Change in cash basis net assets before transfers	619,363
Transfers, net	<u>(408,588)</u>
Change in cash basis net assets	210,775
Cash basis net assets beginning of year	<u>242,587</u>
Cash basis net assets end of year	<u>\$ 453,362</u>

The cash basis net assets of the City's governmental funds increased due primarily to bond proceeds not being disbursed by year end.

The cost of all governmental activities this year was \$ 1,428,250. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$ 1,100,224 because some of the cost was paid by those directly benefited from the programs (\$ 213,573) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 114,453). The City paid for the remaining "public benefit" portion of the governmental activities with \$ 559,478 of taxes (some of which could only be used for certain programs) and other receipts, such as interest, bond proceeds and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended <u>June 30, 2012</u>
Receipts	
Program receipts	
Charges for service	
Water	\$ 157,116
Sewer	278,025
Capital grants and contributions	160,000

General receipts	
Unrestricted interest on investments	4,339
Bond proceeds	419,232
Miscellaneous	<u>985</u>
Total receipts	<u>1,019,697</u>
Disbursements	
Water	944,791
Sewer	<u>424,292</u>
Total disbursements	<u>1,369,083</u>
Change in cash basis net assets before transfers	(349,386)
Transfers, net	<u>408,588</u>
Change in cash basis net assets	59,202
Cash basis net assets beginning of year	<u>352,272</u>
Cash basis net assets end of year	<u>\$ 411,474</u>

Total business type activities cash basis net assets increased from a year ago, from \$ 352,272 to \$ 411,474.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lansing completed the year, its governmental funds reported a combined fund balance of \$ 453,362, an increase of \$ 210,775 over last year's total of \$ 242,587. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 76,061 from the prior year to \$ 83,545 as the City spent less for snow removal and utilities than anticipated.

The Special Revenue, Local Option Sales Tax Fund had a cash balance of \$ 167,925 at the end of the fiscal year, an increase of \$ 16,405 from the previous year. These funds are to be used for repair, replacement or extension of water mains, sewer mains, and streets.

The Debt Service Fund had a cash balance of \$ 1,297 at June 30, 2012, an decrease of \$ 2,701 from the previous year.

The Capital Projects Fund increased \$ 132,471 to \$ 132,471 at the end of the fiscal year, due to bond proceeds not being disbursed by year end.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$ 59,344 to \$ 273,093. The increase was due primarily to receiving approximately \$ 846,000 to fund a capital project (grant, bond proceeds and transfers) but disbursing only \$ 753,000 for said capital project.

The Enterprise, Sewer Fund cash balance decreased only \$ 142 to \$ 138,381, due primarily to the debt service requirement of \$ 139,456 using all of the net operating receipts of \$ 134,643.

BUDGETARY HIGHLIGHTS

During the year, the City amended its budget once. The amendment was approved May 7, 2012 and resulted in an increase in operating disbursements of \$ 492,786.

The City exceeded the amounts budgeted in the capital projects function.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$ 4,060,020 of bonds and notes outstanding, compared to \$ 2,868,788 last year as shown below.

Outstanding Debt at Year End

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
General obligation notes	\$ 140,000	300,000
General obligation bonds	1,030,000	0
Revenue bonds	2,890,020	2,514,000
Anticipatory loans	<u>0</u>	<u>54,788</u>
Total	<u>\$ 4,060,020</u>	<u>2,868,788</u>

Debt increased as a result of issuing \$ 1,100,000 of general obligation bonds and \$ 474,020 of revenue bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 1,170,000 is below its constitutional debt limit of approximately \$ 2.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Lansing's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is City growth. As is typical with most communities in Allamakee County, the City has experienced a decline in population. Official population over the last 20 years has declined from 1,007 to 999.

Regular taxable valuations increased approximately 0.4% or approximately \$ 140,000.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$ 3.104 million, an increase of 10% from the final fiscal 2012 budget. Increase in bond proceeds of \$ 1,348,500 accounted for the increase. Budgeted disbursements increased approximately \$ 153,000. The City has included a major water improvement project in the 2013 budget. Tax rates will increase 8.6%, and with the increase in valuations, property taxes will increase over \$ 38,000. If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 69,000 by the close of 2013.

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Katie Becker, City Clerk; 201 John Street; PO Box 430; Lansing, Iowa 52151 or call 563/538-4757.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF LANSHING
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2012

Functions/Programs: Governmental activities:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Public safety	\$ 217,708	3,386	-	-	(214,322)	-	(214,322)
Public works	340,086	63,135	94,756	-	(182,195)	-	(182,195)
Culture and recreation	284,913	141,399	16,697	-	(126,817)	-	(126,817)
Community and economic development	20,062	-	3,000	-	(17,062)	-	(17,062)
General government	112,014	5,653	-	-	(106,361)	-	(106,361)
Debt service	235,856	-	-	-	(235,856)	-	(235,856)
Capital projects	217,611	-	-	-	(217,611)	-	(217,611)
Total governmental activities	1,428,250	213,573	114,453	-	(1,100,224)	-	(1,100,224)
Business type activities:							
Water	944,791	157,116	-	160,000	-	(627,675)	(627,675)
Sewer	424,292	278,025	-	-	-	(146,267)	(146,267)
Total business type activities	1,369,083	435,141	-	160,000	-	(773,942)	(773,942)
Total	2,797,333	648,714	114,453	160,000	(1,100,224)	(773,942)	(1,874,166)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes							
Debt service							
Tax increment financing							
Local option sales tax							
Hotel/motel tax							
Unrestricted grants and contributions							
Unrestricted interest on investments							
Bond proceeds							
Miscellaneous							
Transfers							
Total general receipts and transfers					1,310,999	833,144	2,144,143
Change in cash basis net assets					210,775	59,202	269,977
Cash basis net assets beginning of year					242,587	352,272	594,859
Cash basis net assets end of year					\$ 453,362	411,474	864,836

(continued)

CITY OF LANSING
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2012

	Governmental Activities	Business Type Activities	Total
Cash Basis Net Assets:			
Restricted:			
Nonexpendable:			
Water deposits	\$ -	4,618	4,618
Expendable:			
Urban renewal purposes	6,561	-	6,561
Debt service	1,297	-	1,297
Streets	9,162	-	9,162
Capital projects	132,471	100,849	233,320
Swimming pool	12,994	-	12,994
Old school house	38,676	-	38,676
Other purposes	168,656	-	168,656
Unrestricted	83,545	306,007	389,552
Total cash basis net assets	\$ 453,362	411,474	864,386

See notes to financial statements.

Exhibit B

CITY OF LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2012

	General	Special Revenue Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
Receipts:						
Property tax	\$ 328,502	-	72,600	-	70,466	471,568
Tax increment financing	-	-	-	-	11,216	11,216
Other city tax	3,565	73,129	-	-	-	76,694
Licenses and permits	5,653	-	-	-	-	5,653
Use of money and property	91,813	1,556	294	3,906	619	98,188
Intergovernmental	15,305	-	-	-	94,756	110,061
Charges for service	104,031	-	-	-	-	104,031
Special assessments	-	1,448	-	-	-	1,448
Miscellaneous	53,004	722	-	25	15,003	68,754
Total receipts	601,873	76,855	72,894	3,931	192,060	947,613
Disbursements:						
Operating:						
Public safety	172,601	-	-	-	45,107	217,708
Public works	165,820	60,450	-	-	113,816	340,086
Culture and recreation	266,970	-	-	-	17,943	284,913
Community and economic development	15,388	-	-	-	4,674	20,062
General government	92,050	-	235,856	-	19,964	112,014
Debt service	-	-	-	217,611	-	235,856
Capital projects	-	-	-	-	-	217,611
Total disbursements	712,829	60,450	235,856	217,611	201,504	1,428,250
Excess (deficiency) of receipts over (under) disbursements	(110,956)	16,405	(162,962)	(213,680)	(9,444)	(480,637)
Other financing sources (uses):						
General obligation bond proceeds	180,000	-	160,261	759,739	-	1,100,000
Operating transfers in	19,915	-	-	-	12,898	32,813
Operating transfers out	(12,898)	-	-	(413,588)	(14,915)	(441,401)
Total other financing sources (uses)	187,017	-	160,261	346,151	(2,017)	691,412
Net change in cash balances	76,061	16,405	(2,701)	132,471	(11,461)	210,775
Cash balances beginning of year	7,484	151,520	3,998	-	79,585	242,587
Cash balances end of year	\$ 83,545	167,925	1,297	132,471	68,124	453,362

(continued)

Exhibit B
(continued)

CITY OF LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2012

	General	Special Revenue		Debt Service	Capital Projects	Nonmajor	Total
		Local Option	Sales Tax				
Cash Basis Fund Balances:							
Restricted for:							
Urban renewal purposes	\$ -	-	-	1,297	-	6,561	6,561
Debt service	-	-	-	-	-	-	1,297
Streets	-	-	-	-	132,471	9,162	9,162
Capital projects	-	-	-	-	-	12,994	132,471
Swimming pool	-	-	-	-	-	38,676	12,994
Old school house	-	-	-	-	-	731	38,676
Other purposes	-	-	167,925	-	-	-	168,656
Committed for:							
Police car	13,900	-	-	-	-	-	13,900
Truck	7,500	-	-	-	-	-	7,500
Unassigned	62,145	-	-	-	-	-	62,145
Total cash basis fund balances	\$ 83,545	167,925	1,297	132,471	68,124	453,362	

See notes to financial statements.

CITY OF LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 157,116	278,025	435,141
Operating disbursements:			
Business type activities	130,613	143,382	273,995
Excess of operating receipts over operating disbursements	26,503	134,643	161,146
Non-operating receipts (disbursements):			
Intergovernmental	160,000	-	160,000
Interest on investments	2,439	1,900	4,339
Miscellaneous	985	-	985
Revenue bond proceeds	419,232	-	419,232
Debt service	(60,715)	(139,456)	(200,171)
Capital projects	(753,463)	(141,454)	(894,917)
Net non-operating receipts (disbursements)	(231,522)	(279,010)	(510,532)
Deficiency of receipts under disbursements	(205,019)	(144,367)	(349,386)
Operating transfers:			
In	266,863	146,725	413,588
Out	(2,500)	(2,500)	(5,000)
Net operating transfers in (out)	264,363	144,225	408,588
Net change in cash balances	59,344	(142)	59,202
Cash balances beginning of year	213,749	138,523	352,272
Cash balances end of year	<u>\$ 273,093</u>	<u>138,381</u>	<u>411,474</u>
Cash Basis Fund Balances			
Restricted:			
Nonexpendable:			
Water deposits	\$ 4,618	-	4,618
Expendable:			
Capital projects	94,670	6,179	100,849
Unrestricted	173,805	132,202	306,007
Total cash basis fund balances	<u>\$ 273,093</u>	<u>138,381</u>	<u>411,474</u>

See notes to financial statements.

CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The City of Lansing is a political subdivision of the State of Iowa located in Allamakee County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lansing, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and [1] the ability of the City to impose its will on that organization or [2] the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission, Allamakee County Joint E911 Service Board, and Allamakee County Economic Development and Tourism Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For

the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1] charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2] grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue, Local Option Sales Tax Fund is used to account for the local option sales tax collected by the State of Iowa for the City.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lansing maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statement, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling state legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the capital projects function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Long-Term Debt**

Annual debt service requirements to maturity for general obligation notes and bonds and revenue bonds are as follows:

<u>June 30,</u>	<u>General Obligation Notes</u>		<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 20,000	6,100	65,000	27,082	101,000	86,701
2014	20,000	5,300	70,000	26,628	105,000	83,671
2015	25,000	4,500	70,000	25,752	108,000	80,521
2016	25,000	3,375	70,000	24,878	111,000	77,281
2017	25,000	2,250	75,000	23,582	115,000	73,951
2018-22	25,000	1,125	405,000	90,665	636,000	315,605
2023-27	0	0	275,000	21,750	693,020	213,785
2028-32	0	0	0	0	470,000	125,850
2033-37	0	0	0	0	551,000	50,640
Total	\$ 140,000	22,650	1,030,000	240,337	2,890,020	1,108,005

<u>June 30,</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 186,000	119,883
2014	195,000	115,599
2015	203,000	110,773
2016	206,000	105,534
2017	215,000	99,783
2018-22	1,066,000	407,395
2023-27	968,020	235,535
2028-32	470,000	125,850
2033-37	551,000	50,640
Total	\$ 4,060,020	1,370,992

Sewer Revenue Bonds

On September 6, 2007, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 2,312,000 of sewer revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of construction improvements and extensions to the City's sewer system. At June 30, 2012, the principal and interest remaining to be paid on the bonds was \$ 2,052,000 and \$ 901,920, respectively, through June 1, 2037.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 2,312,000 of sewer revenue bonds issued on September 6, 2007 with interest at 3% per annum. The agreement also required the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds are payable solely from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 116,150 and \$ 134,643, respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (2) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

Water Revenue Bonds

On December 29, 2005, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, The Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 513,000 of water revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of construction improvements and extensions to the City's water system. At June 30, 2012, the principal and interest remaining to be paid on the bonds was \$ 388,000 and \$ 93,630, respectively, through June 1, 2026.

The City has pledged future customer receipts, net of specified operating disbursements, to repay the \$ 513,000 of water revenue bonds issued on

December 29, 2005 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds are payable solely from water customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 33,270 and \$ 26,503, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (2) The rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the water system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

On December 30, 2011, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 660,000 of water revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of constructing improvements and extensions to the City's water system. Upon request, the Trustee will reimburse the City for costs as they are incurred. At June 30, 2012, the City had drawn \$ 474,020, including \$ 6,600 initiation fee, of the \$ 660,000 authorized and made principal and interest payments of \$ 24,000 and \$ 772, respectively. Wells Fargo Bank Iowa, N.A. has the remaining balance of \$ 209,980 held in trust, which the City will request as the project progresses. A formal repayment schedule has not been adopted for the debt.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$ 660,000 of water revenue bonds, issued on December 30, 2011 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance. The bonds are payable from water customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 24,772 and \$ 26,503, respectively.

The resolution providing for the issuance of the water revenue bonds include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

- (2) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the water system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

(4) Development Agreements

The City has entered into an agreement with a developer. The City has agreed to make semi-annual economic development tax increment payments ("Developer Payment") to the Developer. The total Developer Payments over the term of the agreement shall not exceed an amount equal to the lesser of (1) \$ 105,000; or (2) the aggregate approved infrastructure project costs. The incremental tax to be received by the City under 403.19 of the Code of Iowa from the Developer will be rebated in accordance with Chapter 15A of the Code of Iowa. Accordingly, rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2011 and continuing through and including June 1, 2022, or until such earlier date upon which total payments in the amount of \$ 105,000 have been made. At June 30, 2012, the City had rebated \$ 4,674 under this agreement. The Developer Payments shall not constitute general obligations of the City, but shall be made solely and only from incremental property tax revenues received by the City.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan member and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions rates are established by state statute. The City's contributions to IPERS for the year ended June 30, 2012 were \$ 20,070 equal to the required contribution for the year.

(6) Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2012.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 1,039 for family coverage and \$ 777 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$ 66,817 to the plan and plan members eligible for benefits contributed \$ 3,540 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and personal hours payable to employees at June 30, 2012, primarily related to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,000
Sick leave	55,000
Personal	1,000
Comp time	<u>7,000</u>
Total	<u>\$ 75,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012. Approximately \$ 50,000 of this liability will become payable early in fiscal year 2013, due to the retirement of two employees.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Expendable Trust	\$ 14,915

	Enterprise:	
	Water	2,500
	Sewer	<u>2,500</u>
		<u>19,915</u>
Special Revenue:		
Employee Benefits	General	12,898
Enterprise:		
Water	Capital Projects	266,863
Sewer	Capital Projects	<u>146,725</u>
Total		<u>\$ 446,401</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$ 102,068 for the year ended June 30, 2012.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage for the year ended June 30, 2012.

(12) Commitments

The City has entered into a construction contract for \$ 980,248 for a water improvement project. As of June 30, 2012, \$ 782,390 have been disbursed under this contract. The balance of \$ 197,858 remaining at June 30, 2012, will be paid as work on the project continues and will be partially financed with the \$ 209,980 remaining from the December 30, 2011 revenue bond issue.

OTHER INFORMATION

CITY OF LANSING
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
Year Ended June 30, 2012

	Governmental Funds		Proprietary Funds		Total		Budgeted Amounts		Final to Total Variance
	Actual		Actual				Original	Amended	
Receipts:									
Property tax	\$ 471,568	-	-	-	471,568	465,819	465,819	465,819	5,749
Tax increment financing	11,216	-	-	-	11,216	11,500	11,500	11,500	(284)
Other city tax	76,694	-	-	-	76,694	105,774	105,774	105,774	(29,080)
Licenses and permits	5,653	-	-	-	5,653	3,650	3,650	3,650	2,003
Use of money and property	98,188	4,339	-	-	102,527	107,000	112,000	112,000	(9,473)
Intergovernmental	110,061	160,000	-	-	270,061	254,742	254,742	254,742	15,319
Charges for service	104,031	435,141	-	-	539,172	1,469,746	1,473,846	1,473,846	(934,674)
Special assessments	1,448	-	-	-	1,448	2,150	2,150	2,150	(702)
Miscellaneous	68,734	985	-	-	69,739	23,350	69,450	69,450	289
Total receipts	947,613	600,465	1,548,078	2,443,731	2,498,931	(950,853)			
Disbursements:									
Public safety	217,708	-	-	-	217,708	188,900	223,750	223,750	6,042
Public works	340,086	-	-	-	340,086	480,400	712,450	712,450	372,364
Health and social services	-	-	-	-	-	1,515	1,515	1,515	1,515
Culture and recreation	284,913	-	-	-	284,913	223,364	288,864	288,864	3,951
Community and economic development	20,062	-	-	-	20,062	23,536	23,536	23,536	3,474
General government	112,014	-	-	-	112,014	121,300	121,300	121,300	9,286
Debt service	235,856	-	-	-	235,856	75,545	235,931	235,931	75
Capital projects	217,611	-	-	-	217,611	-	-	-	(217,611)
Business-type activities	-	1,369,083	-	-	1,369,083	1,412,296	1,412,296	1,412,296	43,213
Total disbursements	1,428,250	1,369,083	2,797,333	2,526,856	3,019,642	222,309			
Excess (deficiency) of receipts over (under) disbursements	(480,637)	(768,618)	(1,249,255)	(83,125)	(520,711)	(728,544)			
Other financing sources, net	691,412	837,820	1,519,232	-	321,500	1,197,732			
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	210,775	59,202	269,977	(83,125)	(199,211)	469,188			
Balances beginning of year	242,587	352,272	594,859	779,269	556,805	38,054			
Balances end of year	\$ 453,362	\$ 411,474	\$ 864,836	\$ 696,144	\$ 357,594	\$ 507,242			

See accompanying independent auditor's report and notes to other information-budgetary reporting.

CITY OF LANSING

Notes to Other Information - Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2012, one budget amendment increased budgeted disbursements by \$ 492,786. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the capital projects function.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF LANSING
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2012

	Special Revenue				
	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Expendable Trust	Total
Receipts:					
Property tax	\$ -	70,466	-	-	70,466
Tax increment financing	-	-	11,216	-	11,216
Use of money and property	-	-	33	586	619
Intergovernmental	94,756	-	-	-	94,756
Miscellaneous	-	-	-	15,003	15,003
Total receipts	94,756	70,466	11,249	15,589	192,060
Disbursements:					
Operating:					
Public safety	-	45,107	-	-	45,107
Public works	87,205	26,611	-	-	113,816
Culture and recreation	-	17,940	-	3	17,943
Community and economic development	-	-	4,674	-	4,674
General government	-	19,964	-	-	19,964
Total disbursements	87,205	109,622	4,674	3	201,504
Excess (deficiency) of receipts over (under) disbursements	7,551	(39,156)	6,575	15,586	(9,444)
Other financing sources (uses):					
Operating transfers in	-	12,898	-	-	12,898
Operating transfers out	-	-	-	(14,915)	(14,915)
Total other financing sources (uses):	-	12,898	-	(14,915)	(2,017)
Net change in cash balances	7,551	(26,258)	6,575	671	(11,461)
Cash balances beginning of year	1,611	26,258	(14)	51,730	79,583
Cash balances end of year	\$ 9,162	-	6,561	52,401	68,124
Cash Basis Fund Balances:					
Restricted for:					
Urban renewal purposes	\$ -	-	6,561	-	6,561
Streets	9,162	-	-	-	9,162
Swimming pool	-	-	-	12,994	12,994
Old school house	-	-	-	38,676	38,676
Other purposes	-	-	-	731	731
Total cash basis fund balances	\$ 9,162	-	6,561	52,401	68,124

See accompanying independent auditor's report.

CITY OF LANSING
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2012

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
2002 Streets	Nov 1, 2002	3.60-3.75%	\$ 615,000	140,000	-	140,000	-	1,261
2008 Marina	May 1, 2008	4.00-4.50	200,000	160,000	-	20,000	140,000	6,900
Total				\$ 300,000	-	160,000	140,000	8,161
General obligation bonds:								
General corporate purpose and refunding								
	Jul 20, 2011	0.70-4.00%	\$ 1,100,000	-	1,100,000	70,000	1,030,000	23,820
Revenue bonds:								
Water	Dec 29, 2005	3.00%	\$ 513,000	409,000	-	21,000	388,000	12,270
Sewer	Sep 6, 2007	3.00	2,312,000	2,105,000	-	53,000	2,052,000	63,150
Water	Dec 30, 2011	3.00	474,020	-	474,020	24,000	450,020	772
Total				\$ 2,514,000	474,020	98,000	2,890,020	76,192
Revenue anticipation loan:								
Water	Jun 16, 2011	0%	\$ 54,788	54,788	-	54,788	-	-

See accompanying independent auditor's report.

CITY OF LANSING
BOND AND NOTE MATURITIES
June 30, 2012

Year Ending June 30,	<u>General Obligation Notes</u>		<u>General Obligation Bonds</u>	
	<u>2008 Marina</u>		<u>Corporate Purpose and Refunding</u>	
	<u>May 1, 2008</u>		<u>July 20, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2013	4.00%	\$ 20,000	0.70%	\$ 65,000
2014	4.00	20,000	1.25	70,000
2015	4.50	25,000	1.25	70,000
2016	4.50	25,000	1.85	70,000
2017	4.50	25,000	1.85	75,000
2018	4.50	25,000	2.40	75,000
2019		-	2.40	80,000
2020		-	3.00	80,000
2021		-	3.00	85,000
2022		-	3.50	85,000
2023		-	3.50	90,000
2024		-	4.00	90,000
2025		-	4.00	95,000
Total		<u>\$ 140,000</u>		<u>\$ 1,030,000</u>

(continued)

CITY OF LANSING
BOND AND NOTE MATURITIES
June 30, 2012

Revenue Bonds					
Year Ending June 30,	Interest Rates	Water	Sewer	Water	Total
		Dec 29, 2005	Sep 6, 2007	Dec 30, 2011	
		Amount	Amount	Amount	
2013	3.00%	\$ 22,000	54,000	25,000	101,000
2014	3.00	23,000	56,000	26,000	105,000
2015	3.00	24,000	58,000	26,000	108,000
2016	3.00	24,000	60,000	27,000	111,000
2017	3.00	25,000	62,000	28,000	115,000
2018	3.00	26,000	64,000	29,000	119,000
2019	3.00	27,000	66,000	30,000	123,000
2020	3.00	28,000	68,000	31,000	127,000
2021	3.00	29,000	70,000	32,000	131,000
2022	3.00	30,000	73,000	33,000	136,000
2023	3.00	31,000	75,000	34,000	140,000
2024	3.00	32,000	77,000	35,000	144,000
2025	3.00	33,000	80,000	36,000	149,000
2026	3.00	34,000	83,000	37,000	154,000
2027	3.00	-	85,000	21,020	106,020
2028	3.00	-	88,000	-	88,000
2029	3.00	-	91,000	-	91,000
2030	3.00	-	94,000	-	94,000
2031	3.00	-	97,000	-	97,000
2032	3.00	-	100,000	-	100,000
2033	3.00	-	103,000	-	103,000
2034	3.00	-	107,000	-	107,000
2035	3.00	-	110,000	-	110,000
2036	3.00	-	114,000	-	114,000
2037	3.00	-	117,000	-	117,000
Total		\$ 388,000	2,052,000	450,020	2,890,020

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 29, 2012. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions on the financial statements since we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2011. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Lansing is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lansing's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lansing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lansing's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, I-A-12, described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lansing's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Lansing's responses to findings in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Lansing's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the

officials, employees and citizens of the City of Lansing and other parties to whom the City of Lansing may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lansing during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

November 29, 2012

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF LANSING
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial reporting process, the City should establish review policies and procedures including the performance of some or all of the following:

- [1] Review the adequacy of financial statement disclosures.
- [2] Review and approve schedule and calculations supporting amounts included in the notes to the financial statements.
- [3] Apply analytical procedures to the draft financial statements.
- [4] Apply other procedures as considered necessary by the City.

Response - We will consider this, however, the City usually prepares a complete set of financial statements once every four years.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF LANSING
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - Although the budget was amended, the budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - In the future we will amend the budget in compliance with the Code of Iowa.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions - Business Transactions between the City and City officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
William Burke, Council Member, Part-time Employee Davy Engineering	Engineering Services	\$ 101,262
William Burke, Council Member, Owner of W.J. Burke and Associates	Consulting	\$ 806

CITY OF LANSING
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

In accordance with Chapter 362.5(l), the transactions with William J. Burke and Associates do not appear to represent a conflict of interest since total transactions with the business were less than \$ 2,500. In accordance with Chapter 362.5(3)(e), the transactions with Davy Engineering do not appear to represent a conflict of interest since they were entered into through competitive bidding.

II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-12 Revenue Bonds - The City's debt service requirement in the Enterprise, Water Fund exceeded net operating receipts by \$ 34,212 for the fiscal year ended June 30, 2012. This would appear to be a violation of the revenue note resolutions.

Recommendation - The Council should consider raising water rates in a sufficient amount so that net operating receipts would exceed debt service requirements.

Response - The resolution establishing the local option sales tax states in part that sales tax receipts may be used for water system extension and improvements. Transfers from the Special Revenue, Local Option Sales Tax Fund are anticipated to be made to make up any shortfalls.

Conclusion - Response acknowledged. Although transfers from the Special Revenue, Local Option Sales Tax Fund would keep the Enterprise, Water Fund in a sound financial position, the City would still technically be violating the revenue bond resolutions.